

Message Text

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ACTION EUR-12

INFO OCT-01 IO-10 ISO-00 EURE-00 INRE-00 SSO-00 NSCE-00

SS-15 NSC-05 AID-05 CEA-01 CIAE-00 COME-00 EB-07

EA-06 FRB-03 INR-07 NEA-09 NSAE-00 OPIC-03 SP-02

TRSE-00 CIEP-01 LAB-04 SIL-01 OMB-01 L-02 PA-01 PRS-01

USIE-00 XMB-02 STR-01 /100 W
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O R 271805Z FEB 75

FM USMISSION OECD PARIS

TO SECSTATE WASH DC IMMEDIATE 5650

INFO AMEMBASSY LONDON

USMISSION EC BRUSSELS

USMISSION GENEVA

LIMITED OFFICIAL USE OECD PARIS 05130

E.O. 11652: N/A

TAGS: EFIN, ETRD, UK, OECD

SUBJECT: OECD COUNCIL DISCUSSION OF UK EXPORT SUBSIDY
IN FORM OF INFLATION INSURANCE

REF: LONDON 2753 AND 2984

1. SECGEN VAN LENNEP RAISED BRITISH INFLATION INSURANCE
SCHEME DURING FEB. 25 COUNCIL MEETING. NOTING THAT
"OTHER COUNTRIES" HAVE OR ARE CONSIDERING SIMILAR SYS-
TEMS TO ENCOURAGE EXPORTS, VAN LENNEP SAID THAT SUCH
MEASURES ARE CLOSELY LINKED TO EXPORT CREDIT POLICY,
WHICH FALLS WITHIN PURVIEW OF TRADE PLEDGE. HE SAID
SECRETARIAT HAD BEEN INFORMED INFORMALLY OF UK ACTION
AND EXPECTS THAT FORMAL NOTIFICATION WILL BE FORTH-
COMING SHORTLY. HE HOPED THAT FORMAL UK REPORT WOULD
BE PRESENTED PRIOR TO MARCH 4-5 TRADE COMMITTEE MEETING,
WHICH WOULD PROVIDE OPPORTUNITY FOR CONSULTATIONS ON UK
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MEASURE. HE ADDED THAT DISCUSSION BY TRADE COMMITTEE

WOULD NOT PRECLUDE COUNCIL FROM DISCUSSING UK MEASURE
AT LATER DATE.

2. DESCRIBING MEASURE AS "PARTIAL INSURANCE FOR LIMITED
RANGE OF EXPORT CONTRACTS," UK AMBASSADOR SAID HIS
GOVERNMENT WOULD BE PREPARED TO CONSULT WITH OTHER
DELEGATIONS AT TRADE COMMITTEE MEETING AND HOPED TO
PREPARE FORMAL REPORT PRIOR TO MEETING. HIS GOVERN-
MENT THOUGHT, HOWEVER, THAT ANY DETAILED DISCUSSION OF
MEASURE SHOULD TAKE PLACE IN EXPORT CREDIT GROUP.

3. MISSION RECOMMENDS US DEL TO TRADE COMMITTEE BE
PREPARED TO DISCUSS UK MEASURE WHICH WOULD APPEAR, IF
PREMIUMS ARE NOT LARGE ENOUGH TO COVER COSTS, TO BE
VIOLATION OF TRADE PLEDGE, ALTHOUGH TRADE SIGNIFICANCE
WOULD NOT BE EASY TO DETERMINE AT THIS TIME.
IT WOULD BE APPROPRIATE FOR THE TRADE COMMITTEE TO
INSTRUCT THE TRADE WORKING PARTY TO EXAMINE THIS IN
MORE DETAIL, PERHAPS ALONG WITH EXAMINATION
OF AUSTRALIAN AUTO RESTRICTIONS AND OTHER QUESTIONABLE
ACTIONS. EXAMINATION COULD TAKE PLACE UNDER REGULAR
TRADE COMMITTEE NOTIFICATION AND CONSULTATION PROCEDURES
ON CHANGES IN TRADE POLICIES AND PRACTICES, BUT
WORKING PARTY COULD CONSIDER QUESTION OF APPLICABILITY
OF TRADE PLEDGE AT THAT TIME. WE DO NOT THINK THE UK
MEASURE SHOULD BE TREATED AS EXPORT CREDITS QUESTION
BUT RATHER AS QUESTION OF TRADE POLICY.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: TRADE LAW, EXPORT INSURANCE, CAPITAL GOODS, COMMITTEE MEETINGS
Control Number: n/a
Copy: SINGLE
Draft Date: 27 FEB 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975OECDP05130
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750069-0767
From: OECD PARIS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t1975027/aaaaafuw.tel
Line Count: 89
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 LONDON 2753, 75 AND 2984
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 22 APR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <22 APR 2003 by ShawDG>; APPROVED <23 APR 2003 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: OECD COUNCIL DISCUSSION OF UK EXPORT SUBSIDY IN FORM OF INFLATION INSURANCE
TAGS: EFIN, ETRD, UK, OECD
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006